

Message Text

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ACTION A-01

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FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC PRIORITY 0438

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TAGS: CI AFSP

SUBJ: REPRESENTATION FUNDS FOR FY 1975

REF: AUGUST 23 LETTER OF ASSTSEC THOMAS TO AMBASSADOR

1. ABNORMAL POLITICAL AND ECONOMIC DEVELOPMENTS IN CHILE REQUIRE SPECIAL CONSIDERATION IN DETERMINING ADEQUACY OF REPRESENTATION ALLOTMENTS FOR FY 1975 AND 1976. DURING ALLENDE REGIME WHICH ENDED IN SEPTEMBER 1973 AND FOR SOME MONTHS AFTERWARD, UNSETTLED POLITICAL AND SECURITY CONDITIONS SHARPLY CURTAILED REPRESENTATIONAL FUNCTIONS. AT SAME TIME, GALLOPING LOCAL INFLATION AND LAGGING FOREIGN CURRENCY EQUIVALENT ADJUSTMENT KEPT OUR COSTS FOR REPRESENTATIONAL FUNCTIONS UNUSUALLY LOW. MOREOVER, THERE WAS FOUR-MONTH GAP BETWEEN DEPARTURE OF ONE AMBASSADOR AND ARRIVAL OF ANOTHER. AS RESULT, POST WAS FORTUNATE IN REPORTING ONLY \$120 FOR OUT-OF-POCKET EXPENSES.

2. THIS FIGURE DOES NOT INCLUDE OUT-OF-POCKET EXPENSES FOR FUNCTIONS NOT USUALLY CONSIDERED REIMBURSABLE, SUCH AS PARTIES FOR AMERICAN BUSINESSMEN AND VISITORS, A FIGURE WE ESTIMATE TO HAVE COST EMBASSY OFFICERS SOMEWHERE BETWEEN \$1200 AND \$1500.

3. THESE FIGURES ARE COMPLETELY IRRELEVANT TO OUR CURRENT EXPERIENCE. SINCE THE LAST HOTEL AND RESTAURANT SCHEDULE (DSP-23W) WAS SUBMITTED TO DEPT NOVEMBER 23, 1973, PRICES HAVE INCREASED DRAMATICALLY. TAKING INTO ACCOUNT THE GRADUAL DOLLAR DEVALUATION OF THE ESCUDO,

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THE DOLLAR EXPENSE EQUIVALENT HAS RISEN VERY SHARPLY.

FOLLOWING TABLE ILLUSTRATES EXTENT OF PRICE INCREASES
(BASED ON PAID VOUCHERS) WHICH DIRECTLY AFFECT THE
REPRESENTATION ALLOTMENT:

NOVEMBER 1973 LOCAL PRICE EXCHANGE RATE \$EQUIVALENT

AVERAGE LUNCH	E0. 3,200	800	\$ 4.00
AVERAGE DINNER	3,000	800	3,75
COCKTAIL (CATERING PER PERSON)	1,000	800	1,25

SEPTEMBER 1974

AVERAGE LUNCH	10,200	1,050	9,71
AVERAGE DINNER	10,200	1,050	9,71
COCKTAIL (CATERING PER PERSON)	8,000	1,050	7,62

4. AS CAN BE SEEN FROM THE ABOVE, REPRESENTATIONAL FUNDS
IN 1974 WILL IN REAL TERMS STRETCH ONLY ABOUT ONE-THIRD
AS FAR AS THEY DID A YEAR AGO.

5. THE CONSUMER PRICE INDEX PUBLISHED BY THE
CHILEAN INSTITUTO NACIONAL DE ESTADISTICAS INDICATES
THAT PRICES FOR FOOD ARTICLES HAVE INCREASED 210 PERCENT
FROM THE FIRST OF JANUARY THROUGH AUGUST OF THIS YEAR.
BEST ESTIMATES FOR THE ENTIRE YEAR 1974 PROJECT AN
INCREASE OF 300-350 PERCENT. THE ESCUDO DURING 1974
WILL PROBABLY DEPRECIATE ONLY APPROXIMATELY 100 PERCENT
(FROM 750 TO ABOUT 1500 TO THE DOLLAR).

6. THE CHANGE IN GOVERNMENT IN SEPTEMBER 1973 HAS
RESULTED IN A MAJOR EXPANSION IN EMBASSY TRADE
PROMOTION ACTIVITIES. IN THIS CALENDAR YEAR THE
EMBASSY WILL REPORT OVER \$1 BILLION IN EXPORT OPPORTUNITIES:
IT HAS JUST HOSTED A TRADE MISSION FROM GEORGIA; AND IT
WILL MOUNT THE FIRST US GOVERNMENT-SPONSORED COMMERCIAL
EXHIBIT IN SANTIAGO SINCE 1967. TRADE OPPORTUNITY
REPORTING IN JANUARY-JUNE 1974 WAS 72 PERCENT ABOVE THE
SAME PERIOD IN 1973. NTDR'S WERE UP 273 PERCENT, AND
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THE NUMBER OF US VISITORS INCREASED 125 PERCENT.

7. THE GROWING WORKLOAD ACCOMPANYING THE REESTABLISHMENT
OF COMMERCIAL TIES BETWEEN CHILE AND THE US HAS RESULTED
IN MUCH GREATER NEED FOR REPRESENTATION FUNDS. DURING
THE YEARS OF DECLINING COMMERCIAL ACTIVITY AND OFFICIAL
DISCOURAGEMENT OF IMPORTS FROM THE US, TRADE CONTACTS
ATROPHIED. NOW THE EMBASSY IS ENGAGED IN ESTABLISHING

CLOSE RELATIONS WITH NEW OFFICIALS, NEW AGENCIES,
NEW BUSINESSES AND NEW HEADS OF ESTABLISHED PUBLIC AND
QUASI-PUBLIC ENTERPRISES IN CHILE.

8. ON THE POLITICAL SIDE, WE ARE ENGAGED IN A
CORRESPONDING EFFORT TO STRENGTHEN OUR TIES WITH THE
COUNTRY'S NEW LEADERS, IN ORDER TO IMPROVE OUR
CAPACITY TO FURTHER US NATIONAL INTERESTS. THE
AMBASSADOR ESTIMATES HIS OUT-OF-POCKET EXPENSES, ON
BASIS OF CURRENT ALLOTMENTS, DURING THE FIRST QUARTER
OF FY 1975 (WHICH INCLUDES LARGE EXTRA ALLOWANCES
FOR JULY 4 FUNCTION) AT \$250, AND EXPECTS FULL YEAR
OUT-OF-POCKET REPRESENTATION EXPENSES TO BE IN
NEIGHBORHOOD OF \$1500. RELATED TYPES OF NON-REIMBURSABLE
EXPENSES (ENTERTAINMENT OF VISITING AMERICANS AND LOCAL
STAFF(WILL ADD AT LEAST ANOTHER \$1000. WE BELIEVE
OUT-OF-POCKET EXPENSES FOR ALL OTHER OFFICERS COMBINED
WILL REACH OR EXCEED SAME AMOUNTS.

9. IN THESE CIRCUMSTANCES, THE \$7800 ALLOTTED TO SANTIAGO
WILL FALL WELL BELOW WHAT IS NEEDED TO COVER THE
IMPORTANT REPRESENTATIONAL FUNCTIONS PLANNED FOR THIS
FISCAL YEAR. ALL ADDITIONAL FUNDS THAT MAY BE FORTHCOMING
WILL BE APPRECIATED AND WILL BE JUDICIOUSLY USED.

10. REGRET DELAY IN RESPONSE.
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